

Message Text

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EXDIS-DOD HANDLE AS SPECAT EXCLUSIVE FOR SECDEF

E.O. 11652: GDS

TAGS: PFOR

SUBJECT: MORNING SUMMARY OF SIGNIFICANT REPORTS

1. RECONNAISSANCE OF EGYPTIAN SAMS ON EAST BANK

AMBASSADOR KEATING IN TEL AVIV REPORTS HIS CONCERN OVER THE CONSTRUCTION OF FOUR EGYPTIAN SAM SITES ON THE EAST BANK OF THE CANAL IN THE SECOND ARMY AREA. HE STRESSES THAT THE ISRAELI PERCEPTION OF EGYPTIAN INTENTIONS TO HONOR THE TERMS OF THE DISENGAGEMENT AGREEMENT WILL BE AN IMPORTANT ELEMENT IN DETERMINING HOW OR IF PEACE NEGOTIATIONS MIGHT PROCEED. THE QUESTION WHICH IS OBVIOUSLY BOTHERING THE ISRAELIS IS WHETHER WE ARE SEEING A REPLAY OF THE 1970 CEASEFIRE WHEN THE EGYPTIANS MOVED THEIR MISSILE SITES TO FORWARD POSITIONS ON THE WEST BANK. (SECRET) TEL AVIV 411, 1/23, (EXDIS).

2. SOVIET-ISRAELI RELATIONS

EMBASSY MOSCOW, COMMENTING ON REPORTS THAT THE SOVIET UNION WOULD SOON REESTABLISH DIPLOMATIC RELATIONS WITH ISRAEL, CONCLUDES THAT THE SOVIETS WOULD FIND IT DIFFI-
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CULT TO REESTABLISH RELATIONS AT THIS TIME SOLELY ON THE BASIS OF DISENGAGEMENT. THE EMBASSY, HOWEVER, DOES NOT

EXCLUDE THE POSSIBILITY OF EXPANDED CONTACTS WITH THE

ISRAELIS IN GENEVA OR ELSEWHERE. (CONFIDENTIAL) MOSCOW
1107, 1/23.

3. BRITISH LIFT ARMS EMBARGO AND CALL FOR ARMS CONTROL

FOREIGN SECRETARY DOUGLAS-HOME ANNOUNCED TO PARLIAMENT ON
JANUARY 21 AN END OF THE BRITISH MIDDLE EAST ARMS EMBARGO,
BUT EMPHASIZED THAT ANY FUTURE REQUESTS WILL BE SUBJECT TO
THE SAME CRITERIA AS IN THE PAST. HE ALSO WOULD LIKE TO
SEE A RATIONING SYSTEM FOR ARMS TO THE MIDDLE EAST SUB-
SCRIBED TO BY THE US AND THE SOVIETS. (CONFIDENTIAL)
LONDON 1016, 1/23.

4. KUWAIT TO AUCTION ROYALTY CRUDE

EMBASSY KUWAIT REPORTS THAT ALTHOUGH MANY DETAILS ARE
UNCLEAR, IT SEEMS CERTAIN THAT KUWAIT WILL AUCTION
462,000 BARRELS PER DAY OF ROYALTY CRUDE FOR ONE AND
PROBABLY OTHER SIX-MONTH PERIODS. KUWAIT PREFERRED NOT
TO SELL BY AUCTION BUT IS MORE OR LESS FORCED TO SINCE
NO MARKETING ORGANIZATION EXISTS. PREDICTIONS ARE THAT
PRICES WILL BE ABOVE POSTED PRICES FOR KUWAITI CRUDE BUT
BELOW NIGERIAN OR IRANIAN AUCTION PRICES. THERE ARE ALSO
INDICATIONS THAT KUWAIT IS CONSIDERING 3-5 YEAR CONTRACTS
FOR PARTICIPATION CRUDE. (CONFIDENTIAL) KUWAIT 288,
1/23.

5. FRENCH VIEWS ON EC POSITION FOR ENERGY CONFERENCE

THE FRENCH HAVE PRESENTED TO FOREIGN MINISTER SCHEEL,
IN HIS CAPACITY AS EC COUNCIL CHAIRMAN, THEIR VIEWS ON
THE POSITION THE COMMUNITY SHOULD TAKE AT THE WASHINGTON
ENERGY CONFERENCE. THEY BELIEVE THE COMMUNITY SHOULD BE
FREE TO PARTICIPATE IN ENERGY DISCUSSIONS WITH THE US,
AT THE UN, AT THE OECD, AND TO ENTER INTO BILATERAL

AGREEMENTS WITH OIL PRODUCERS. THE FRENCH WERE AMBIGUOUS
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AS TO WHETHER AGREEMENTS WITH THE ARAB STATES SHOULD BE
CONCLUDED BY THE COMMUNITY AS SUCH OR BY INDIVIDUAL MEM-
BER STATES. THE OVERALL IMPRESSION OF THE FRENCH APPROACH
IS THAT IT IS AN ATTEMPT TO DILUTE THE IMPORTANCE OF THE
WASHINGTON CONFERENCE. (CONFIDENTIAL) EC BRUSSELS 432,
1/23.

6. BUNDESBANK DOLLAR SALES AND THE FRENCH FRANC FLOAT

EMBASSY BONN REPORTS THAT FRG FINANCE MINISTER SCHMIDT

HAS STATED THAT THE FEDERAL GOVERNMENT HAS DECLINED THE
US REQUEST TO "MANIPULATE" THE DOLLAR RATE BY DOLLAR

SALES OF THE BUNDESBANK. SCHMIDT DEMANDED THAT THE US SHOULD ITSELF COUNTERACT AN OVERVALUATION OF THE DOLLAR, BUT EXPRESSED DOUBT THAT THE US WOULD DO SO. WITH REGARD TO THE FRENCH FRANC FLOAT, BANK PRESIDENT KLASSEN EXPRESSED REGRET BUT SAID IT WOULD FACILITATE BANK POLICY SINCE THERE WOULD NO LONGER BE A NEED TO INTERVENE IN FRENCH FRANCS. HE CONSIDERED THE DANGER THAT A "DEVALUATION RACE" MIGHT DEVELOP BUT BELIEVED THAT IT WOULD "REMAIN WITHIN LIMITS." (UNCLASSIFIED) BONN 1189, AND 1225, 1/23. KISSINGER

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